



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

MEMORANDUM

To: Interested Parties

From: Nora Mann, Director, Determination of Need Program

Subject: Annual Adjustments to Determination of Need (DoN) Expenditure Minimums

Date: ~~January 27, 2017~~ **UPDATED June 29, 2017**

Each year, pursuant to M.G.L. c.111, § 25B½, the DoN Program issues an informational bulletin on annual adjustments to the DoN expenditure minimums to adjust the Substantial Capital Expenditure dollar amount for inflation. The DoN Program most recently released guidance on this topic in January of 2017. This document, specifically the Attachment, includes updates intended to clarify expenditure minimums and to more clearly tie the DoN project categories to those articulated in M.G.L. c.111, § 25B. There have been no changes to the expenditure minimums.

Section 25B½ specifies the use of an inflation index established by the U.S. Department of Health and Human Services. In place of a federal index such as the Consumer Price Index, the DoN Program has historically performed annual adjustments to DoN expenditure minimums using Marshall & Swift indices for capital expenditures involving construction and equipment. These indices are the basis for the adjustment of expenditure minimums for the period from October 1, 2016 through September 30, 2017.

Effective October 1, 2016, DoN expenditure minimums are adjusted as shown below. The adjustment factors used to update the expenditure minimums are provided in Attachment 1.

Please direct any questions or comments about this memorandum to the Determination of Need Program at dph.don@state.ma.us.

Minimum Capital Expenditure Requiring Determination of Need

Project Type	Previous Year 30-Sep-2015	Effective 30-Sep-2016
For the purchase of medical, diagnostic, or therapeutic equipment acquired for use in a location other than a health care facility.	\$264,063	\$267,591
For expenditures for and acquisitions of, medical, diagnostic or therapeutic equipment by or for health care facilities, other than hospitals.	\$950,935	\$963,640
For all other expenditures and acquisitions by or for health care facilities, other than hospitals (except expenditures or acquisitions to replace previously approved DoN-required Equipment or DoN-required Services, or replacement of medical, diagnostic, or therapeutic equipment that was exempt from DoN review and approval).	\$1,901,869	\$1,927,279
For expenditures and acquisitions made by or for hospitals and comprehensive cancer centers (except that major movable equipment not otherwise defined by the department as DoN-required Equipment or DoN-required Services shall not require a DoN and shall not be included in the calculation of the expenditure minimum).	\$17,826,988	\$18,065,167
For expenditures and acquisitions concerned solely with outpatient services other than ambulatory surgery and not otherwise defined by the department as DoN-required Equipment or DoN-required Services.	\$29,076,449	\$29,464,928

Attachment 1

Annual Inflation Factors Applied To Adjust DoN Expenditure Minimums

Building Cost Index (Marshall & Swift)¹:

	Oct-15	Oct-16
Basis for Eastern Region	\$3,105.7	\$3,094.3
Massachusetts multiplier	1.17	1.19

$$\frac{3094.3}{3105.7} \times \frac{1.19}{1.17} = 1.01336$$

¹ Marshall & Swift Current Cost Multipliers, October 2016